

## Message Text

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PAGE 01 MONTEV 01517 051637Z

21

ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

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SIL-01 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15

DRC-01 /168 W

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R 051445Z JUN 74

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 6666

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E.O. 11652: N/A

TAGS: EFIN, UY

SUBJ: GOU BUDGET-174

1. SUMMARY. IN EARLY MAY THE GOU PUBLISHED THE ANNUAL PRESENTATION OF ACCOUNTS FOR THE YEARS 1971-1972 (RENDICION DE CUENTAS). URUGUAYAN BUDGETS ARE PRESENTED ON A FIVE YEAR BASIS WITHIN SIX MONTHS OF THE INAUGURATION OF THE PRESIDENT (MARCH 72) AND UPDATED EACH YEAR THROUGH THE -PRESENTATION OF ACCOUNTS WHICH SHOULD BE SUBMITTED WITHIN SIX MONTHS AFTER THE CLOSE OF CORRESPONDING CALENDAR YEAR. APPROVAL OF ACCOUNTS WAS DUE JUNE 1973, BUT THE CLOSING OF CONGRESS AND DELAYS IN ORGANIZING THE SUCCESSOR COUNCIL OF STATE WERE PRINCIPAL

FACTORS IN LONG DELAY IN PASSING APPROVAL LAW. RENDICION IS OMNIBUS BILL WHICH INCLUDES MANY NON-FISCAL MATTERS. MOST IMPORTANT FEATURES OF PRESENT LAW ARE TAX AND PUBLIC ADMINISTRATION REFORMS. EMBASSY HAS NOT REPORTED EARLIER ON THIS LEGISLATION AWAITING INFORMATION FROM OFFICE OF PLANNING AND BUDGET ON BUDGETARY EFFECTS FOR 1974.

2. THE RENDICION DE CUENTAS 1971-1972, CONTAINING NEARLY UNCLASSIFIED

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PAGE 02 MONTEV 01517 051637Z

600 ARTICLES, WAS APPROVED BY COUNCIL OF STATE ON APRIL 23, 1974,

PROMULGATED BY EXECUTIVE ON APRIL 30 AND  
PUBLISHED ON MAY 9. CHAPTER I OF LAW APPROVED ACCOUNTS  
FOR THOSE YEARS AND AUTHORIZED FINANCING OF DEFICITS  
(PESOS 19,561,587,936 FOR 1971 AND PESOS 61,507,140,427 FOR  
1972.

3. THE REMAINING SIXTEEN CHAPTERS COVER A VARIETY OF SUBJECTS  
INCLUDING CIVIL SERVICE AND MILITARY PAY INCREASES OF  
JANUARY 1, 1974, THE LAW SIMPLIFIES PAY SCALES AND CONDITIONS  
OF CIVIL SERVICE (E.G. PLACING MAXIMUM AGE FOR RETIREMENT  
AT 70 YEARS), REQUIRES QUARTERLY FINANCIAL ACCOUNTS FROM  
GOVERNMENT MINISTRIES, AUTHORIZES US\$100 MILLION INCREASE  
IN U.S. DOLLAR TREASURY BOND EMISSIONS, PROVIDES FUNDS FOR  
VARIOUS SOCIAL SERVICES AND SUBSIDIES FOR MUNICIPAL AND  
DEPARTMENTAL GOVERNMENTS AND AUTONOMOUS AGENCIES, AUTHORIZES  
A NUMBER OF ONE-TIME CAPITAL EXPENDITURES (5 BILLION PESOS),  
PROVIDES AMNESTIES FOR FIRMS THAT PAY PORTION OF THEIR SOCIAL  
TAX ARREARAGES, AUTHORIZES CAPITAL EXPENDITURES FOR 1974 AND  
INCLUDES WIDE VARIETY OF MINOR AUTHORIZATIONS FOR PUBLIC  
SERVICE CHARGES ALREADY EFFECTED IN PRACTICE.

4. AN IMPORTANT ELEMENT IN LAW ARE STATEMENTS ON TAX POLICY.  
IT IS STATED THAT IT IS IN NATIONAL INTEREST RESTRUCTURE TAX  
SYSTEM UNDER FOLLOWING GUIDELINES:

A) LOW YIELD TAXES WILL BE ELIMINATED; B) TAXES THAT  
PRODUCE ECONOMIC DISTORTIONS WILL BE ELIMINATED; C) TAXES  
USING SAME BASE WILL BE COMBINED; D) TAX SYSTEM SHOULD  
BE TOOL OF ECONOMIC DEVELOPMENT; E) TAX SYSTEM SHOULD BE  
SIMPLIFIED; AND F) IN PARTICULAR, INCOME TAXES SHOULD BE  
SIMPLIFIED AND BETTER DISTRIBUTION OF BURDEN ACHIEVED  
INCLUDING PRIVILEGES FOR INCOME FROM WAGES AND PERSONAL  
INITIATIVE. THE EXECUTIVE POWER IS TO PRESENT REFORMED  
TAX SYSTEM IN NEXT RENDICION DE CUENTAS (DUE JUNE 30, 1974).  
PROVISIONS ARE MADE FOR RAISING PERSONAL EXEMPTIONS FOR  
INCOME TAXES (NECESSARY IN VIEW OF INFLATION) AND  
PROGRESSIVE APPLICATION OF IMPROVE AND OTHER LAND TAXES TO  
ACHIEVE 100 PERCENT PAYMENT IN 1975. TAX ADMINISTRATION IS  
IMPROVED THROUGH INCREASING BUDGET FROM 76 MILLION PESOS  
IN 1973 TO 186 MILLION IN 1974, AND EXECUTIVE POWER IS  
INSTRUCTED TO PRESENT IN NEXT RENDICION SALARY SCHEDULE  
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PAGE 03 MONTEV 01517 051637Z

FOR TAX EMPLOYEES INCLUDING NEW BONUS SYSTEM AND PROHIBITION  
ON OUTSIDE EMPLOYMENT. BEGINNING IS MADE ON PHYSICAL  
INTEGRATION OF TAX SERVICES BY EXPROPRIATING PROPERTY FOR  
CENTRAL TAX OFFICE.

5. OFFICE OF PLANNING AND BUDGET HAS GIVEN US FOLLOWING  
ESTIMATES FOR 1974 BUDGET.

| OPERATING BUDGET  | PESOS (000'S) |
|-------------------|---------------|
| A) EXPENDITURES   | 610,709,000   |
| B) REVENUE        |               |
| TAXES 542,168,000 |               |
| OTHER 13,651,000  | 555,819,000   |
| DEFICIT           | 59,890,000    |

| CAPITAL BUDGET  | PESOS (000'S) |
|-----------------|---------------|
| A) EXPENDITURES | 27,997,000    |
| B) REVENUES     | 21,300,000    |
| DEFICIT NQ      | 6,697,000     |

TOTAL DEFICIT (10.3 PERCENT OF REVENUES) 16,587,000,000.  
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## Message Attributes

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